Weekly investment news

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EAGLE STAR

Global Overview

- Equity markets declined last week on the back of mixed corporate news, despite a big drop in the oil price and better than expected economic news.
- There were strong retail figures from the US on Thursday. However, consumer sentiment remains weak with a key confidence indicator in the US slipping from 87.7 to 85.3.
- On the corporate front the big news of the week came from Wal-Mart, the world's biggest retailer, when it delivered disappointing earnings results.
- On currency markets, the US dollar rose to a six-month high against the euro. The dollar was underpinned by the view that interest rates in the US will keep rising, widening the differential with the eurozone. There was also continued speculation that China will revalue its currency. The dollar rose 1.4% against the euro over the week.
- On commodity markets, oil prices fell 5% to $48 a barrel over the week due to a rise in US inventories.

Market	Index	Year to Date Return 31.12.04 to 13.05.05		1 Week Return 06.05.05 to 13.05.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-4.8	2.2	-1.5	0.2
US	NASDAQ	-9.1	-2.5	0.5	2.2
Europe	FT/S&P Europe Ex. U.K.	2.7	2.7	-0.5	-0.5
Ireland	ISEQ	-2.7	-2.7	-0.3	-0.3
UK	FTSE 100	1.5	5.2	-0.7	-1.3
Japan	Topix	-1.3	1.1	-1.4	-2.2
Hong Kong	Hang Seng	-2.6	4.3	-1.2	0.4
Australia	S&P/ASX 200	-1.0	3.4	0.7	0.4
Bonds	Merrill Lynch Euro over 5 year Govt.	4.7	4.7	1.4	1.4

Equities

USA

- Equity markets in the US fell back last week as investors chose to focus on some negative corporate data.
- Wal-Mart shares declined 3.5% on the week following weaker than expected earnings numbers.
- However, Dell Computers, the world's largest maker of personal computers, surprised the market by reporting a 28% rise in quarterly profits. Cisco Systems also delivered good results providing some respite for troubled technology sector which has had a difficult year to date.
- In mergers and acquisitions news, Duke Energy announced that it would takeover Cinergy in a $9billion all stock transaction.

Europe

- European markets declined due to falling commodity prices which affected oil stocks, steel and mining companies. BHP Billiton and Statoil both fell by 7%.
- The information technology, auto and consumer staples sectors outperformed.
- The earnings reporting season continued with Munich Re, Sanofi- Aventis and Royal & Sun Alliance delivering better than expected results.

Ireland

- On the Irish market, Bank of Ireland reported results which were in line with expectations. The bank confirmed that it is going ahead with its plan to cut costs by €120 million over a four year period.
- C&C also delivered results in line with expectations. Ryanair benefited due to the fall in the oil prices.

Pacific Basin

- Most Asian equity indices dropped over the week. The shares of mining and energy companies were amongst the worst performers after the price of oil and other commodities such as copper, fell.
- Rumours that a large hedge fund was in difficulty also led to selling in the market.

Eurozone Bonds

- Government bonds markets had a good week as concerns over volatility in corporate bonds following the downgrading of GM and Ford debt resulted in a flight to quality.
- Investor sentiment also improved as the market became less concerned about inflation due to falling oil prices.
- Long dated bonds outperformed and 30-year Eurozone bond yields fell to record lows.

Global Outlook

- The global economy has continued to slow from last year's robust pace, with much of the recent data disappointing expectations. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Although US rate expectations have eased back in recent weeks, markets still expect the Fed to raise its rates by a further 0.75% to 3.75% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. It had voiced concerns over rising property prices, generous financial liquidity conditions and the level of government borrowings, although recent weak data has tempered these concerns somewhat. It is still likely that low ECB rates and well-behaved inflation can remain supportive of eurozone bonds, although recent gains leave Eurozone bonds slightly stretched.
- Equity market returns have been quite varied so far this year; with some of the major indices in negative territory. The US market remains the most sluggish of the large markets and technology has been among the weakest sectors. For 2005, global profit growth is still expected to be around 10%, although investors are now attaching less certainty to that prediction.
- Currently, the funds are close to neutral in bonds and neutral to slightly underweight equities versus the manager average. Sector-wise the funds' exposure to cyclical sectors such as basic industries and resources has been reduced while some defensive sectors have been increased. In geographical terms, the funds continue to be neutral the UK and Japan and close to neutral in the Pacific Basin, underweight the US, while overweight Europe.

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